

Message Text

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ACTION EB-08

INFO OCT-01 ISO-00 AF-10 ARA-10 EA-10 EUR-12 NEA-10
JUSE-00 NSC-05 TRSY-02 L-03 FRB-03 OMB-01 ITC-01
SP-02 ICA-11 AGRE-00 AID-05 CIAE-00 COME-00
INR-10 IO-13 LAB-04 NSAE-00 OIC-02 SIL-01 STR-07
CEA-01 SS-15 /147 W
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R 281204Z APR 78
FM AMEMBASSY NEW DELHI
TO SECSTATE WASHDC 1267
INFO USMISSION GENEVA
AMEMBASSY CANBERRA
AMEMBASSY LONDON
AMEMBASSY TORONTO
AMEMBASSY WELLINGTON
AMEMBASSY MEXICO

C O N F I D E N T I A L SECTION 1 OF 2 NEW DELHI 6739

MEXICO FOR UNDERSECRETARY COOPER

E.O. 11652: GDS
TAGS: ETRD, PORG, UNCTAD, IN
SUBJECT: INDIAN PROPOSALS FOR A COMMON FUND AGREEMENT

REF: STATE 82918

1. EMBOFF CALLED ON MINCOMMERCE JOINT SECRETARY S..0. SHUKLA TO OBTAIN HIS VIEWS ON THE TOUTCOME OF THE COMMONWEALTH MINISTERIAL MEETING ON THE COMMON FUND AND ON PROSPECTS FOR RESUMPTION OF THE UNCTAD NEGOTIATING CONFERENCE. EMBOFF DREW ON REFTEL IN DISCUSSING SUBSTANTIVE AND PROCEDURAL ISSUES STILL TO BE RESOLVED. SHUKLA APPRECIATED USG'S INTEREST IN MOVING COMMON FUND NEGOTIATIONS TO A SUCCESSFUL CONCLUSION AS EVIDENCED BY UNDER SECRETARY COOPER'S DESIRE TO HOLD BILATERALS DURING MEETINGS OF THE INTERIM COMMITTEE AND UN OVERVIEW COMMITTEE; HE REGRETTED THAT
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HE COULD NOT MEET WITH THE UNDER SECRETARY PERSONALLY. AT THE END OF THE CONVERSATION, SHUKLA MADE SEVERAL SPECIFIC PROPOSALS FOR THE RESUMPTION OF THE NEGOTIATIONS AND THE KIND OF AGREEMENT WHICH SHOULD BE SOUGHT. HE SAID HE WOULD BRIEF R. BHANDARI (MINISTRY OF EXTERNAL AFFAIRS ADDITIONAL SECRETARY WHO WILL BE REPRESENTING INDIA AT OVERVIEW COMMITTEE) SO THAT BHANDARI CAN DISCUSS THESE IDEAS DIRECTLY WITH THE UNDER SECRETARY

IN NEW YORK.

2. SUBSTANTIVE ISSUES: DIRECT GOVERNMENT CONTRIBUTIONS: IN THE CONTEXT OF THE DISCUSSION OF THE LONDON COMMUNIQUE, EMBOFF TOLD SHUKLA THAT USG HAD RECONFIRMED ITS POSITION THAT IT WOULD NOT MAKE A DIRECT CONTRIBUTION TO A COMMON FUND. SHUKLA ASKED WHETHER US HAD MADE SIMILAR DETERMINATION AGAINST SUBSCRIBING CALLABLE CAPITAL. EMBOFF STATED THAT DEPARTMENT'S BREIF DID NOT TOUCH ON THIS POINT BUT THAT THE POLITICAL PROBLEM OF THE NEED FOR CONGRESSIONAL ACTION WOULD STILL APPLY. SHUKLA SAID THAT WHAT WAS NEEDED WAS A BROAD FORMULA WHICH WOULD PERMIT INDIVIDUAL GOVTS TO TAKE WHATEVER ACTION THEY COULD WITHIN THEIR LEGISLATIVE AND POLITICAL REALITIES: DIRECT CONTRIBUTIONS FOR SOME, CALLABLE CAPITAL FOR OTHERS, SOME OTHER TECHNIQUE FOR OTHERS. EMBOFF COMMENTED THAT THIS KIND OF APPROACH UNDERLAY THE COMPROMISE ON RETROACTIVE ADJUSTMENT OF TERMS AT THE UNCTAD DEBT MEETING, WHICH PROMPTED SHUKLA TO REITERATE THAT ANSWER WAS TO FIND A WAY FOR GOVTS TO ACT ON AN INDIVIDUAL BASIS.

3. EMBOFF ASKED WHETHER SHUKLA HAD ANY INTIMATION THAT OPEC COUNTRIES WOULD BE WILLING TO PARTICIPATE. HE SAID HE DID NOT BUT WAS EAGER TO CREATE THIS CHANNEL FOR OPEC TRANSFERS. THE EXPERIENCE WITH IFAD HAD DEMONSTRATED, HE FELT, THAT NEW INSTITUTIONS FOR AID SERVED TO CALL FORTH ADDITIONAL AID FUNDS.

4. IT IS WORTH NOTING THAT SHUKLA--AS IN PREVIOUS CONVERSATIONS
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--NEVER REFERRED TO THE FUND AS A "CENTRAL SOURCE OF FINANCING". THIS IS CONSISTENT WITH GOI'S LACK OF INTEREST IN THE BUFFER STOCKING ASPECTS OF THE FUND. SHUKLA AT ONE POINT SAID, "OF COURSE ONE TALKS ABOUT DOLS 6 BILLION, BUT A MORE MODEST BEGINNING WILL BE NECESSARY", --ALSO A POINT HE MADE LAST FALL BEFORE THE RESUMED NEGOTIATING CONFERENCE. AS FURTHER INDICATION THAT HE MAY BE PREPARED TO ACCEPT US-EC PROPOSALS FOR FUNDING "FIRST WINDOW", SHUKLA STATED AT ANOTHER OINT, "DIRECT CONTRIBUTIONS ARE NECESSARY FOR OTHER MEASURES SINCE THE FUND'S RESOURCES FOR BUFR STOCKING WONT BE AVAILABLE FOR THESE PURPOSES".

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5. SUBSTANTIVE ISSUES: OTHER MEASURES: AS REFLECTED ABOVE, SHUKLA REMAINS IMMOVABLE ON THE NEED FOR FUND TO HAVE SECOND WINDOW. TO EMBOFF'S SUGGESTION THAT INDIA ITSELF, WITH ITS MANY COMMODITY INTERESTS, WOULD WANT TO ASSURE THAT INDIVIDUAL COMMODITY ORGANIZATIONS HAD THE FINAL SAY ON WHAT OTHER MEASURES SHOULD BE TAKEN, SHUKLA COUNTERED THAT AN OVERVIEW BODY WAS NEEDED BECAUSE OF THE LINKAGES BETWEEN SOME COMMODITIES AND BECAUSE "SOMEONE SHOULD SAY WHETHER IT'S SMART TO MOVE OUT OF COFFEE AND INTO BANANAS".

6. PROCEDURAL ISSUES: G--77 PRECONDITIONS: SHUKLA PROPOSED THAT THE COMMONWEALTH COMMUNIQUE BE THE BASIS FOR THE RESUPTION OF NEGOTIATIONS. SINCE UK AND OTHER GROUP B COUNTRIES HAD SIGNED IT, THE LANGUAGE OF THE COMMUNIQUE MUST BE BROAD ENOUGH TO PROTECT THEIR POSITIONS BEFORE NEGOTIATIONS RESUME, HE ARGUED. EMBOFF
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RECALLED THAT G-77 HAD DEMANDED AGREEMENT IN PRINCIPLE TO DIRECT CONTRIBUTIONS AND OTHER MEASURES, AND STATED THAT USG COULD NOT AGREE TOMAKE SUCH CONCESSIONS JUST TO RESTART THE NEGOTIATIONS. SHUKLA SMILED AND SAID THAT A WAY WOULD HAVE TO BE FOUND TO AVOID THAT AND HE THOUGHT USE OF COMMONWEALTH COMMUNIQUE SHOULD SERVE THE PURPOSE.

7. PROCEDURAL ISSUES: TIMING: SHUKLA SAID THAT NEGOTIATIONS SHOULD NOT BE RESUMED UNTIL THERE WAS A GOOD PROSPECT FOR THEIR SUCCESS. EMBOFF RESPONDED THAT THIS WAS WASHINGTON'S VIEW AS WELL. SHUKLA THOUGHT THE FALL OF THIS YEAR WOULD BE POSSI-

BLE IF CONTINUING CONTACTS PROVED FRUITFUL.

8. FORM OF AN AGREEMENT: SHUKLA SAID THAT IT WAS IMPOSSIBLE THAT THE NEXT SESSION OF THE NEGOTIATING CONFERENCE COULD PRODUCE THE TEXT OF A DETAILED AGREEMENT ESTABLISHING THE FUND. WHAT HE WAS LOOKING FOR WAS A BROAD AGREEMENT IN PRINCIPLE ON THE MAJOR ISSUES. WORKING GROUPS WOULD THEN MEET TO ELABORATE THE TEXT. HE THOUGHT THEIR WORK WOULD TAKE AT LEAST SIX MONTHS.

9. OUTCOME OF THE COMMONWEALTH CONFERENCE: SHUKLA SAID THAT AUSTRALIA HAD SUCCEEDED IN MOVING NEW ZEALAND AND CANADA--AS COMMODITY PRODUCERS--CLOSER TO ITS POSITION. (WE NOTE REPORTS TO THE CONTRARY FROM WELLINGTON AND TORONTO.) HE HAD NOT SEEN ANY FLEXIBILITY IN THE BRITISH POSITION.

10. SHUKLA DOES NOT EXPECT TO BE ATTENDING ANY INTERNATIONAL MEETINGS BEFORE THE JULY SESSION OF THE UNCTAD AD HOC INTER-GOVERNMENTAL COMMITTEE ON THE COMMODITY PROGRAM. HE SAID HE WOULD GIVE DETAILED BRIEFING TO HEAD OF GOI DELEGATION TO UN OVERVIEW COMMITTEE MEETING. WE HAVE JUST LEARNED THAT THIS WILL NOT BE MEA SECRETARY VK. AHUJA (WHO IS PREPARING TO TAKE UP HIS NEW POSITION AS AMBASSADOR TO IRAN) BUT RATHER ADDITIONAL SECRETARY
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R. BHANDARI, WHO HAS SOME BACKGROUND IN ECONOMIC AFFAIRS. BHANDARI WILL BE ASSISTED ON DELEGATION BY INDIAN ECON/COMMERCIAL MINISTER IN WASHINGTON, BAIJAL, AND BY MAINFINANCE ECONOMIC ADVISER HONAVAR.

11. COMMENT: IT APPEARS THAT SHUKLA IS READY TO AGREE TO A "FIRST WINDOW" BASED ON OUR PROPOSALS PROVIDED HE GETS SOMETHING BY WAY OF A SECOND WINDOW. WHETHER HE WOULD BE WILLING EXPLICITLY TO DISAVOW FORMER G-77 POSITIONS IS DOUBTFUL, HOWEVER. THE THRUST OF HIS REMARKS IS THE DESIRE FOR A PRAGMATIC ACCOMMODATION THAT MEETS MINIMUM INDIAN REQUIREMENTS. THERE MAY STILL BE SERIOUS DISAGREEMENT OVER VOTING ARRANGEMENTS AND OTHER STRUCTURAL ISSUES, WHICH DID NOT COME UP IN THE CONVERSATION.

12. IF UNDER SECRETARY COOPER IS HAVING A BILATERAL MEETING WITH MANMOHAN SINGH, IT SHOULD BE NOTED THAT SINGH IS NOT AWARE OF THESE PROPOSALS
GOHEEN

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